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SUBJECT: Argentina Upgrades Agriculture to Ministry Level, Appoints New Minister

¶1. (SBU) Summary: On October 2, Argentine President Fernandez de Kirchner created a Ministry of Agriculture to be headed by Kirchner loyalist Julian Dominguez. This change upgrades the agriculture portfolio to a Ministry level - a status it had not held since 1981, despite Argentina's role as a global agricultural player. Minister Dominguez has been a fixture of both Kirchner presidencies; he is a lawyer and does not have a background in agriculture. In addition, the announced changes place Argentina's controversial Agricultural Control Office (ONCCA) under the direct control of Minister Dominguez -- a loss of power for tax agency chief Ricardo Echegaray. The changes also create a new Ministry of Industry and Tourism to replace the former Ministry of Production. Minister Deborah Giorgi will remain as head of the smaller Ministry. Chief of Cabinet Anibal Fernandez appears to be the real benefactor of this shifting power dynamic, given his close ties with Dominguez. Farm leaders are clearly pleased with the higher political status accorded to agriculture, but are not overly optimistic that this change will transform their confrontational relationship with the government. End Summary.

Agriculture -- From Secretariat to Ministry

¶2. (SBU) Following weeks of rumors about the future of Argentina's agricultural political landscape in the wake of Agriculture Secretary Carlos Cheppi's announced resignation, President Fernandez de Kirchner published decrees creating a new Ministry of Agriculture to be headed by Julian Dominguez on October 2. The change upgrades agriculture to Ministry level - a status it had not held since 1981. Prior to this recent change, Argentina had surprisingly been one of a very few countries in Latin America that did not accord its top agricultural official Ministerial status.

¶3. (SBU) Julian Dominguez is a former mayor of the Buenos Aires province town of Chacabuco (1995-1999); and he later served as the Minister of Public Works for the Buenos Aires province under Governor Carlos Ruckauf. He was elected as a provincial Representative for Buenos Aires in 2007, and served as vice-president of the lower house prior to being appointed Minister of Agriculture. Minister Dominguez is a staunch ally of the Kirchner couple and has been strongly supportive of government policies during both Kirchner presidencies. He is a lawyer and does not have a background in agriculture.

A Shifting Power Dynamic

¶4. (SBU) In addition to creating the new Ministry of Agriculture, the announced changes place Argentina's controversial Agricultural Control Office (ONCCA) under the direct control of Minister

Dominguez. ONCCA has wide- ranging powers, including responsibility for agricultural export authorizations and administration of subsidy programs for the sector. ONCCA had previously been controlled by Ricardo Echegaray, Argentina's current tax czar (head of AFIP), through his appointment of Emilio Eyras as President of the agency in 2008 when Echegaray was moved to head AFIP. Minister Dominguez inherits oversight of ONCCA amid a wave of corruption allegations directed at the agency. ONCCA is currently under judicial review for "irregularities" and "bribe requests" surrounding payment of subsidies totaling more than AR\$13 million. Although Dominguez has official oversight of ONCCA, it remains to be seen how much decision autonomy he will be granted. Press reports indicate that former President Nestor Kirchner picked Juan Manuel Campillo, a strong Kirchner ally, to replace Eyras as ONCCA chief.

15. (SBU) Agriculture previously had been in the hands of a sub-cabinet secretary who reported to Production Minister Deborah Giorgi. Carving agriculture out of Production leaves Giorgi with a smaller agency, which has been renamed the Ministry of Industry and Tourism. Minister Giorgi will remain as head of the smaller Ministry. Echegaray and Giorgi have clearly lost power in this restructuring. Post contacts opine that Cabinet Chief Anibal Fernandez appears to be the real benefactor of this shifting power dynamic due to his close ties with, and influence over, Dominguez.

Farm Sector Pleased But Cautious

16. (SBU) Farm leaders are clearly pleased with the political upgrade to agriculture in the Cabinet. In June, the farm sector's Liaison Board (composed of leaders of the four main farm groups) presented Cabinet Chief Fernandez with a document containing 22 action items to improve the sector's situation. One of those items was to give more political weight to the Secretariat of Agriculture.

To that end, the farm sector was pleasantly surprised by the creation of the Ministry, given previous failed attempts to make headway in the more than year-old conflict with the government. The sector's underlying suspicions are possibly best summed up by Argentine Rural Confederation (CRA) vice-president Nestor Roulet's public statement that "the new Ministry of Agriculture brings us a strange mix of hope and distrust."

17. (SBU) On October 6, Minister Dominguez held his first meeting with the Liaison Board. Although the meeting was protocol-based, Dominguez reiterated the need to depoliticize and bring an end to the conflict. He presented farm leaders with his proposed work methodology to reach that end. He plans to begin negotiations with the Liaison Board next week by addressing technical concerns in the conflict. Farm leaders are not convinced this "technical" path is the quickest way to a resolution -- they believe that the conflict is more political than technical. Argentine Rural Society (SRA) president Hugo Biolcati reportedly told Minister Dominguez that the farm sector's principal problem is "loss of working capital and government intervention in the market." However, Argentine Agricultural Federation (FAA) president Eduardo Buzzi hopefully noted to the press after the meeting that the Minister "showed some level of independence."

Comment

18. (SBU) It comes as a surprise that the Kirchner government gave agriculture a ministry in the Cabinet. Given Argentina's status as a world agricultural powerhouse, the change is long overdue. However, the ag sector remains skeptical that this change will be anything more than window dressing. The lack of background in agriculture of both of the GOA's newly appointed officials at the Ministry of Agriculture and ONCCA leaves some doubt as to their ability to resolve the dispute between the government and the farm sector that began in March 2007 over export taxes. The farm sector's meetings with Minister Dominguez (as well as the Ambassador's pending courtesy call with him) in the weeks to come should reveal whether there is real hope for an end to the conflict.

